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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 2, 1999

APPLICATION OF

GTE SOUTH INCORPORATED
(Contel, Virginia)

CASE NO. PUC940009

Annual Informational Filing

ORDER DIRECTING PARTIAL REFUND

On July 6, 1999, the Staff of the State Corporation Commission ("Staff") filed a motion requesting that the Commission require GTE South Incorporated (Contel, Virginia) ("Contel") to refund to its customers \$3,202,282 plus interest for excessive earnings in the year 1993, pursuant to the provisions of Paragraph 20 of the Commission's Experimental Plan for Alternative Regulation of Virginia Telephone Companies ("Plan").

The Commission issued an Order on July 16, 1999, directing that notice be published inviting the filing of comments and requests for hearing. On August 9, 1999, Contel filed its Response to Staff Reports and Staff Motion for Notice and Refund ("Response"). On August 26, 1999, Contel filed its Affidavit of publication of notice as prescribed by the Commission's Order of July 16, 1999. No other filings were received.

Contel's Response proposed, with the Staff's agreement, to make a bifurcated refund, because the refund's final amount depends on the resolution of the jurisdictional separations issue now on appeal at the Virginia Supreme Court in Record No. 991964, S.C.C. Case No. PUC950019. Pending resolution of the appeal, Contel proposes refunding to its customers \$1,242,800, which is the amount set forth in the Staff's 1993 CAM/AIF Report filed August 16, 1995, before adjustment for the separations modification. Contel proposes that this partial refund be completed within 180 days following this Order. If the Virginia Supreme Court upholds the Commission's separations adjustment in the appeal of Case No. PUC950019, the balance of the refund will be made promptly pursuant to a Commission Order.

The Commission finds the agreement for a bifurcated refund should be approved, and Contel should proceed with the first part of the refund.

IT IS THEREFORE ORDERED THAT:

(1) GTE South Incorporated (Contel, Virginia) shall refund to its ratepayers \$1,242,800 of excessive earnings for 1993, plus accrued interest, within 180 days following the date of this Order.

(2) Interest upon such refund shall be computed from January 1, 1993, until the date refunds are made, at an average prime rate for each calendar quarter. The applicable average

prime rate for each calendar quarter shall be the arithmetic mean, to the nearest one hundredth of one percent, of the prime rate values published in the Federal Reserve Bulletin or the Federal Reserve's Selected Interest Rates ("Selected Rates") (Statistical Release G.13), for the three months of the preceding calendar quarter.

(3) The interest shall be compounded quarterly.

(4) Refunds shall be distributed to 1993 customers based on each customer's proportion of 1993 billed revenues to the total, with respect to Basic, Discretionary, and Potentially Competitive Services.

(5) The refunds ordered above may be accomplished by credit to each customer's account for current customers. Contel should attempt to make refunds to former customers by mailing a check for refunds of \$1 or more to the last known address of the customer. Contel need not mail checks for refunds less than \$1 to former customers; however, Contel shall prepare and maintain a list of the former accounts which are due refunds of less than \$1, and if such former customers contact Contel and request their refunds, those refunds shall be made promptly. For customers who have outstanding balances, Contel may use such balances to offset the credit or refund to the extent such balances are undisputed. To the extent that an outstanding balance of such a customer is disputed, no offset shall be

permitted. All unclaimed refunds shall be handled in accordance with Virginia Code § 55-210.6:2.

(6) On or before June 1, 2000, Contel shall file with the Division of Communications a report and associated workpapers explaining how all refunds have been lawfully made pursuant to this Order.

(7) Contel shall bear all costs of the refund directed in this Order.

(8) This matter is continued pending the Virginia Supreme Court's decision in the appeal of S.C.C. Case No. PUC950019.